

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION, DBA AVISTA) CASE NO. AVU-E-01-4
UTILITIES, FOR AN ORDER APPROVING AN)
ELECTRIC ENERGY BUY-BACK PROGRAM FOR)
PUMPING SCHEDULES 31 & 32 CUSTOMERS.)
) ORDER NO. 28698
)
_____)**

On March 1, 2001, Avista Corporation dba Avista Utilities (“Avista”) filed an Application requesting Commission approval of its Tariff 70-R, Buy-Back of Customer Power—Pumping Service (“Irrigation Buy-Back Program” or “Program”). Avista has requested expedited processing of its Application and seeks a Commission Order making the Program effective from March 15, 2001. In response to this request the Commission ordered that this case would be processed in an expedited manner using Modified Procedure. IDAPA 31.01.01.201-.204. Order No. 28662 at 2-3. However, the Commission suspended the proposed effective date for this Program until March 30, 2001. *Id.* at 3. Because the Commission found that expedited processing was appropriate it required that written comments be filed within ten (10) days of the Notice of Application and Notice of Modified Procedure which required that. Order No. 28662 at 3. The Commission Staff filed comments and the Company filed reply comments.

AVISTA’S IRRIGATION BUY-BACK PROGRAM

Avista states that the market price of electricity is expected to remain high for the 2001 irrigation season because of low snowpack, and projected low streamflows. Under these conditions the Company believes its Irrigation Buy-Back Program has the potential to reduce its power supply expense during the months of May through September of 2001.

Avista’s Program is delineated in the Company’s proposed Tariff 70-R attached to its Application. This Tariff would provide Avista’s Schedules 31 and 32 irrigation customers who have used at least 50,000 kWh during at least one previous irrigation season, the option to sell power back to the Company by reducing their historical electric consumption. Avista estimates that it has sixty-eight (68) customers in Idaho that meet the minimum eligibility requirements for participation in this Program. Avista states that in mid-March it will notify these customers by phone and mail to describe how this Program will operate.

To participate, eligible irrigation customers must notify Avista by April 15, 2001 and agree to reduce their energy consumption by a minimum of 50,000 kWh from May to September 2001.¹ Avista states that a participating irrigation customer's reduced energy usage will be calculated by subtracting the customer's total energy usage from May through September 2001 from their average energy usage during these same months from the preceding five years. If a customer does not have five years of prior billing history Avista will use the billing history that is available. The Company states that participating customers who save 50,000 kWh or more will be paid 10¢ per kWh saved. Irrigation customers providing savings of 25,000–50,000 kWh will receive 5¢ per kWh. Finally, participants who do not save at least 25,000 kWh will receive no compensation from the Company.

Avista Company states that after October 31, 2001 it will verify each participating irrigation customer's actual energy savings and then make payments to them. Avista proposes to record these payments as a power supply expense in Account 555, as these payments will be made in lieu of purchasing power on the wholesale market. Furthermore, the Company seeks recovery of an "appropriate" amount of lost revenues or revenue impacts as a result of this Program.

Avista states in its Tariff that this Program will expire on October 31, 2001.

STAFF ANALYSIS AND RECOMMENDATION

The Commission Staff reviewed and analyzed Avista's Application and Attachments and made the following recommendations.

1. Purchase Price of Power and Program in General

Based on the Company's direct contact with irrigation customers, and because the price being offered is less than the projected spot market price, Staff believes the 10¢ per kWh is reasonable.² Furthermore, based on the forward prices in the wholesale market for 2001 and the Company's analysis, it makes economic sense to purchase power from irrigation customers through Avista's Program at the 10¢ per kWh level. Staff believes that this Program will help to reduce off-system spot market purchases that the Company may have to make this summer to serve its customers. Finally, if enough power is conserved through the Program the Company may be able to

¹ Originally, Avista proposed that this Program would only be offered to its Idaho irrigation customers who could offer a reduction of energy consumption of at least 100,000 kWh. The Company amended this amount to 50,000 kWh for the Idaho Program so that it would be consistent with its Irrigation Buy-Back Program in Washington.

² Although Staff believes 10¢ per kWh is reasonable it is unsure how much additional participation from irrigation

sell any excess on the spot market. As both of these scenarios would benefit Avista's customers Staff recommended approval of the Program.

2. Program Participation

Based on these interviews with eligible irrigation customers, Avista estimates that if fourteen (14) Idaho customers participate in the Program the Company could save 2,512,974 kWh. Staff believes these estimates are reasonable representations of what the scope of the Program will be in Idaho.

3. Verification of Energy Savings and Payments

Avista states that participating irrigation customers' reduced energy usage will be calculated by subtracting a customer's total energy usage from May through September 2001 from their annual average energy usage during these same months from the preceding five years. If a customer does not have five years of prior billing history Avista will use the billing history that is available. The Company states that verification of energy savings will occur after October 31, 2001. Staff believes through this process the Company can verify the energy savings an irrigation customer has pledged. Staff also requested that the Commission address whether the Company should pay interest to participating irrigation customers because Program payments would not be made to them until after its conclusion.

4. Accounting Treatment and Revenue Recovery

Staff believes the Company should be allowed to record the costs and benefits, including lost revenues of this Program in Account 555. Further, in order to monitor these costs and benefits Staff recommends sub-accounts be established to specifically track the results of this Program. The PCA filing should also include a separate line to identify these costs.

Because the PCA review is pending in Case No. AVU-E-01-1, and the results are not determined at this time Staff believes that Avista and interested parties should develop and present a proposal to the Commission recommending a procedure to calculate the amount of revenue impact that should be allowed to pass through the Company's PCA mechanism.

Finally, Staff stated that it would conduct a prudency review of the costs resulting from this Program at its conclusion.

5. Contract Provision

customers Avista would obtain by raising the price per kWh.

Staff had concerns regarding a contract provision contained in the proposed contract that it will use with its Idaho irrigation customers. *See*, “Electric Energy Conservation Agreement” Supplement to Application. Specifically, that:

[By signing the agreement the] Customer understands that the financial incentive provided by AVISTA herein may be modified or withdrawn in the event AVISTA determines that the major portion of Customer’s Reduction Level was caused, primarily, by mandates by any local, State or Federal authority or governing body or entity having jurisdiction over Customer’s water usage.

Contract at p.2, § 7.

While Staff believes there may be extreme, specific circumstances which may justify the Company reducing payments to irrigation customers under these contracts, Staff feels the language from the proposed contract quoted above appears much too broad.

COMMISSION FINDINGS

After review of the record in this case the Commission finds that this Program has value to ratepayers and the Company. Accordingly, Avista’s Application for its Irrigation Electric Energy Buy-Back Program for Pumping Schedules 31 and 32 is approved.

The Commission finds that because the Program is based on an irrigation customer’s cumulative energy savings amount over five months as opposed to a program based on monthly energy savings and because there is no penalty for an irrigation customer’s failure to save a specific amount of kWh the Company shall not be required to pay interest on accumulated amounts it will owe participating irrigation customers at the conclusion of this Program.

The Commission finds that the contract provision that the Commission Staff raised concerns over is appropriate for this Program. However, the Commission shall require the Company to advise the Commission if this clause is triggered so that a review may be conducted, if necessary.

The Commission also finds that the Company shall record the costs and benefits of this Program in Account 555. Further, in order to monitor these costs and benefits the Company shall establish sub-accounts to specifically track the results of this Program. The PCA filing should also include a separate line to identify these costs.

Avista and interested parties shall develop and present a proposal to the Commission recommending a procedure to calculate the amount of revenue impact that should be allowed to pass through the Company’s PCA mechanism at the conclusion of this Program.

ORDER

IT IS HEREBY ORDERED that Avista's Application for its Irrigation Electric Energy Buy-Back Program for Pumping Schedules 31 and 32 is approved.

IT IS FURTHER ORDERED that Avista shall not be required to pay interest on accumulated amounts it will owe participating irrigation customers at the conclusion of this Program.

IT IS FURTHER ORDERED that if § 7 of Avista's contract with an irrigation customer is triggered the Company shall present the matter to the Commission so it may determine if it should be applied.

IT IS FURTHER ORDERED that the Company shall record the costs and benefits of this Program in Account 555. Further, in order to monitor these costs and benefits the Company shall establish sub-accounts to specifically track the results of this Program. The PCA filing should also include a separate line to identify these costs.

IT IS FURTHER ORDERED that Avista and interested parties shall develop and present a proposal to the Commission recommending a procedure to calculate the amount of revenue impact that should be allowed to pass through the Company's PCA mechanism at the conclusion of this Program.

THIS IS A FINAL ORDER. Any person interested in this Order or in interlocutory Orders previously issued in this Case No. AVU-E-01-4 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. AVU-E-01-4. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this
day of April 2001

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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